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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/896,061	06/29/2001	David J. Schmitz	11927/90	9465

757 7590 09/22/2009

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EXAMINER	
POINVIL, FRANTZY	
ART UNIT	**PAPER NUMBER**
3696	
MAIL DATE	**DELIVERY MODE**
09/22/2009	PAPER

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte DAVID J. SCHMITZ,
EILEEN SMITH,
and
ANTHONY MONTESANO

Appeal 2009-003978
Application 09/896,061
Technology Center 3600

Decided: September 22, 2009

Before: MURRIEL E. CRAWFORD, HUBERT C. LORIN, and ANTON W. FETTING, *Administrative Patent Judges*.

CRAWFORD, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellants appeal under 35 U.S.C. § 134 (2002) from a final rejection of claims 1, 3 and 6 to 23. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

Appellants invented an automated trading method including the step of automatically routing a first remaining portion of an electronic order to a firm participation subsystem which assigns a percentage of the contra-side of the order to the participant that sent the order (Spec. 1, 8, and 10).

Claim 1 under appeal reads as follows:

> 1. A method of trading products over an automated execution system, comprising:
> receiving an electronic order for a product submitted by a participant into the automated execution system, the automated execution system having a book process subsystem, a firm participation subsystem and a market maker subsystem;
> automatically executing an initial portion of the electronic order against a stored order in the book process subsystem;
> automatically routing a first remaining portion of the electronic order to the firm participation subsystem, wherein a percentage of the first remaining portion of the electronic order is assigned by the automated execution system and executed against the participant; and
> automatically routing a second remaining portion of the electronic order, if any, to the market maker subsystem, wherein the second remaining portion of the electronic order is executed against another participant.

The prior art relied upon by the Examiner in rejecting the claims on appeal is:

Lupien US 5,101,353 Mar. 31, 1992

The Examiner rejected claims 1, 3, and 6 to 23 under 35 U.S.C. § 103(a) as being unpatentable over Lupien.

ISSUE

Have Appellants shown that the Examiner erred in rejecting the claims because Lupien does not disclose or suggest automatically routing a first remaining portion of the electronic order to the firm participation subsystem?

FINDINGS OF FACT

Appellants disclose an automatic trading system that routes an electronic order from a participant to an order routing system 108 (Fig. 1). The participant places the electronic order on behalf of a customer (Spec. 3). The order routing system 108 routes the order to an automatic execution system which includes a book process subsystem 116, a firm participation subsystem 120 and a market maker subsystem 124 (Spec. 8, Fig. 1). Electronic orders are received at the book process subsystem 116 and the order is executed when the book contains a resting order which matches the electronic order (Spec. 9). Any remaining portion of the electronic order is automatically routed to the firm participation subsystem 120 which determines if the participant is entitled to participate in the order and if so a predetermined percentage of the electronic order is executed in the firm participation subsystem. If a second portion of the electronic order remains

after the execution of the firm participation subsystem portion is executed, that second remaining portion is routed to and executed by the market maker subsystem (Spec. 9).

Lupien discloses a method and system for trading products (Abstr.). The method includes routing an electronic order for a product submitted by a participant into an automated execution system (col. 12, ll. 53 to 66. The user places an order to buy or sell a security at a certain price or better and the controller CPU 10 stores and maintains a book of the orders (col. 12, ll. 58 to 64). The Lupien system matches buy and sell orders (col. 13, ll. 25 to 27). Lupien discloses that partial order matches or partial executions cause the contra side order to split into an order of the correct size and an order holding the remaining size (col. 14, ll. 32 to 35).

Lupien does not disclose a firm participation subsystem that determines if the participant is participating and if so automatically allocates a predetermined percentage of the contra-side of the order to the firm participant.

PRINCIPLES OF LAW

In rejecting claims under 35 U.S.C. § 103, it is incumbent upon the Examiner to establish a factual basis to support the legal conclusion of obviousness. *See In re Fine*, 837 F.2d 1071, 1073 (Fed. Cir. 1988). In so doing, the Examiner must make the factual determinations set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). Furthermore, "[']there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness'.... [H]owever, the analysis need not seek out precise teachings directed to the specific

subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ." *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007) (quoting *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006)).

ANALYSIS

We will not sustain the rejection of the Examiner. The Examiner admits that Lupien does not disclose routing an electronic order first to an electronic book then a first remaining portion to a firm participation subsystem and then a second remaining portion to a market maker subsystem (Ans. 3 to 4). The Examiner considers this portion of the claim to be an agreement left between the participant and client within a trading firm or company and states that such agreement would have been possible as long as all the entities agree to it (Ans. 4). In the Examiner's view Lupien contains all the structural elements to perform the claimed invention and therefore the claimed invention is obvious in view of Lupien.

Claims 1, 10, 17, and claims 3, 6 to 9, 11 to 16, and 18 to 20 dependent thereon are method claims. As such, the Examiner must establish a factual basis for concluding that the *steps* recited in the claims would have been obvious in view of Lupien. This the Examiner has not done. In this regard, the Examiner's conclusion that the steps would have been possible and that the structural elements are present does not establish that a person of ordinary skill in the art would have found the recited steps predictable or obvious.

In regard to claim 21 and claims 22 and 23 dependent thereon, which are system claims, we do not agree with the Examiner that the firm

participation subsystem recited in claim 21 is an agreement left to the participant and client. The firm participation subsystem is a structure that performs the function of automatically determining if the participant is participating in the electronic order and if so automatically allocates a predetermined percentage of a remaining portion of the order to the first participant. The Examiner has not established that Lupien teaches such allocation or that Lupien includes the structure that can achieve the allocation.

In view of the foregoing, we will not sustain the Examiner's rejection.

CONCLUSION OF LAW

On the record before us, Appellants have shown that the Examiner erred in rejecting the claims.

DECISION

The decision of the Examiner is reversed.

REVERSED

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